

Bachus, Pryce ask Wall Street for answers

February 28, 2007

Ask NYSE, Dow Jones CEOs to explain whether trading system problems contributed to the "precipitous drop" in the stock market on February 27

Rep. Spencer Bachus (R-Alabama) and Rep. Deborah Pryce (R-Ohio) have asked two key Wall Street executives to explain whether technical problems contributed to the 416 point drop in the Dow Jones Industrial Average (DJIA) experienced on February 27.

In correspondence to NYSE CEO John Thain and Dow Jones & Company CEO Richard Zannino, Reps. Bachus and Pryce asked the executives to explain whether "unprecedented, intermittent system shortcomings impacted the NYSE's trading systems and the Dow Jones' index servers" in a manner that made the actual decline seem "more precipitous and alarming" to investors.

As a result of problems with the trading systems, Reps. Bachus and Pryce contend, "a 200 point decline was compressed into an extremely short time-span and thus may have exacerbated the market downturn." Reps. Bachus and Pryce asked Mr. Thain and Mr. Zannino to provide the House Financial Services Committee with a "full explanation of what caused the systems failure."

Rep. Bachus is ranking member of the House Financial Services Committee, and Rep. Pryce serves as ranking member of the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises.

Text of Reps. Bachus and Pryce's letter follows.

February 28, 2007

Mr. John Thain

Chief Executive Officer

NYSE Group

11 Wall Street

New York, NY 10005

Mr. Richard F. Zannino

Chief Executive Officer

Dow Jones & Company

1 World Financial Center

200 Liberty Street

New York, N.Y. 10281

Dear Mr. Thain and Mr. Zannino:

We are writing to gain a better understanding of what contributed to the precipitous drop in the Dow Jones Industrial Average (DJIA) on Tuesday, February 27.

As you know, after a string of record highs, the DJIA suffered a 416 point setback on Tuesday, its largest single-day decline in five years. And at one point during mid-afternoon trading, the DJIA tumbled 200 points in just 15 minutes leaving it down 546 points.

While many factors may have contributed to Tuesday's downturn, NYSE and Dow Jones officials have publicly stated that unprecedented, intermittent system shortcomings impacted the NYSE's trading systems and the Dow Jones' index servers which support the calculation of the DJIA. Our concern is that the actual decline may have been made to appear even more precipitous and alarming to investors because the trading systems did not keep pace with the actual activity. The result was that a 200 point decline was compressed into an extremely short time-span and thus may have exacerbated the market downturn.

We are very aware of the substantial and ongoing investments that the NYSE and Dow Jones commit to their networks to ensure that their systems can function during periods of market stress. But it is apparent that those systems failed during Tuesday's trading.

To facilitate the Financial Services Committee's review of this matter, please provide the Committee with a full explanation of what caused the systems failure. Which systems failed? Which back-up systems, if any, did or did not respond properly? How many stocks were impacted? Were investors — particularly individual investors — able to submit orders and receive confirmations that executions occurred? Finally, what corrective measures will you implement to address these problems?

We look forward to your prompt response.

Sincerely,

Spencer Bachus

Deborah Pryce

Ranking Member

Ranking Member

Subcommitte on Capital Markets,

Insurance, and Government-

Sponsored Enterprises

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